



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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December 12, 2013

To: Supervisor Don Knabe, Chairman  
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Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## WASHINGTON, D.C. UPDATE ON BIPARTISAN BUDGET ACT OF 2013

Senate and House Budget Committee Chairs Patty Murray (D-WA) and Paul Ryan (R-WI) have agreed to a budget deal, the Bipartisan Budget Act of 2013 (H.J. Res. 59), which would slightly increase discretionary spending in Federal Fiscal Years (FFYs) 2014 and 2015 over current law while reducing the Federal budget deficit by \$28 billion over 10 years.

### **Discretionary Spending under H.J. Res. 59**

Discretionary programs, which are funded through annual appropriations bills, would receive \$63 billion more combined funding in FFYs 2014 and 2015 than under current law, but still would be funded at a lower level than the \$1.043 trillion in enacted appropriations for FFYs 2012 and 2013. The budget deal would cap overall discretionary spending at \$1.012 trillion in FFY 2014 and \$1.014 trillion in FFY 2015, which is a small improvement over the post-sequester FY 2013 level of \$986 billion.

Congressional agreement on overall discretionary spending limits will facilitate the enactment of appropriations for FFYs 2014 and 2015. Federal programs and operations currently are temporarily funded under a Continuing Resolution (CR), which expires on January 15, 2014. The CR's enactment on October 16, 2013 ended a Federal government shutdown, which resulted from the failure of the Congress to enact

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any of the 12 appropriations bills for FFY 2014, which began on October 1, 2013. The biggest obstacle to the completion of FFY 2014 appropriations had been that the House Republican budget was based on an overall FFY 2014 discretionary spending cap of \$967 billion -- \$91 billion less than the \$1.058 trillion in the Senate Democrats' budget.

### **Deficit Reduction under H.J. Res. 59**

The bipartisan budget agreement would reduce the net Federal budget deficit by an estimated \$23 billion over the next 10 years, even with its increase in overall discretionary spending. The bill includes estimated Federal savings of roughly \$85 billion from a combination of mandatory spending cuts and revenue increases. The biggest spending reduction would be an estimated \$28 billion by extending sequestration cuts on mandatory spending for two additional years through FFY 2023. Other deficit reduction provisions include increases in user fees, such as aviation security and customs fees, a reduction in cost of living increases for military retirees, higher retirement contribution rates for Federal civilian employees, and a reduction in energy leasing royalties for states.

### **Medicare "Doc" Fix and Medicare Disproportionate Share Hospital (DSH) Funding**

An amendment to H.J. Res. 59, which would avert Medicare payments to physicians for three months, and which includes extensions of other expiring health provisions, including a three-month extension in transitional medical assistance for low-income families who otherwise would lose Medicaid eligibility due to earned income increases, will be considered on the House floor.

Of major interest to the County, the amendment also would revise the reductions in Medicaid DSH allotments to states, which were enacted under the Affordable Care Act (ACA). On a positive note, it would eliminate the \$500 million FFY 2015 DSH reduction and shift the \$600 million FFY 2015 DSH reduction to FFY 2016, increasing that year's DSH cut to \$1.2 billion. However, it also would impose a \$4.3 billion DSH cut in FFY 2023. Under current law, FFY 2022 is the last year in which DSH funding is cut.

It had been widely expected that Medicaid DSH cuts would be extended for an additional year through FFY 2023, just as the ACA previously had been amended to extend Medicaid DSH cuts into FFYs 2021 and 2022. The ACA's Medicaid DSH reductions were based on the premise that the Medicaid and health insurance expansions would reduce hospitals' uncompensated care costs. Postponing the DSH cuts to FFY 2016 would provide time to more accurately estimate the fiscal impacts of the ACA on hospitals before developing a DSH reduction methodology and imposing DSH cuts on hospitals.

### **Fiscal Impact on Los Angeles County**

The enactment of H.J. Res. 59 should result in a small overall positive fiscal impact to the County in FFYs 2014 and 2015, especially if it is amended to eliminate the FFY 2014 DSH cut and postpone the FFY 2015 DSH cut. Additionally, increasing overall discretionary spending by \$63 billion in the next two years above the current law level means that more funding will be available to potentially fund discretionary programs through which the County receives funding. However, the fiscal impact on the County would be relatively small because the increase in overall discretionary spending and restored DSH funding both are very small in percentage terms. Moreover, its impact of discretionary funding received by the County will largely depend on how total available funding ultimately is distributed among individual programs in FFYs 2014 and 2015 appropriations legislation.

None of the proposed deficit reduction measures, including the two-year extension of sequestration cuts on mandatory programs after FFY 2021, in H.J. Res. 59 would significantly affect the County. As reported previously, all of the low-income mandatory programs which are major revenue sources for the County, such as Medicaid, Temporary Assistance for Needy Families, Title IV-E Foster Care and Adoption Assistance, the Supplemental Nutrition Assistance Program, and Child Support Enforcement, are exempt from sequestration cuts.

### **Bill Status**

The Bipartisan Budget Act of 2013 (H.J. Res. 59) is scheduled for House floor action on December 12, 2013 before the House is scheduled to recess for the holidays. The Senate is expected to vote on the bill before it recesses at the end of next week.

We will continue to keep you advised.

WTF:RA  
MR:MT:ma

c: All Department Heads  
Legislative Strategist